



**ECONOMIC DEVELOPMENT
AUTHORITY (EDA) AGENDA**

Tuesday, December 20, 2011

6:45 p.m.

**Coon Rapids City Center
Council Chambers**

Call to Order

Roll Call

Approval of Minutes of Previous Meeting - November 15, 2011

November 15, 2011, Minutes

New Business

1. Authorize the Execution of Professional Services Contract with Genesis Business Centers, Ltd. for Implementation of the Coon Rapids Business Incubator Program

Other Business

Adjourn



Economic Development Authority Regular

Meeting Date: 12/20/2011

SUBJECT: November 15, 2011, Minutes

Approval of Minutes from Previous Meeting(s)

November 15, 2011, Minutes

Attachments

11-15-11 Minutes

UNAPPROVED

ECONOMIC DEVELOPMENT AUTHORITY MEETING OF NOVEMBER 15, 2011

A meeting of the Coon Rapids Economic Development Authority was called to order by President Tim Howe at 9:04 p.m. on November 15, 2011 in the Council Chambers.

Members Present: President Tim Howe, Commissioners Denise Klint, Melissa Larson, Paul Johnson, Jerry Koch, Bruce Sanders, and Scott Schulte

Members Absent: None

Staff Present: Executive Director Matt Fulton, Community Development Director Marc Nevinski, Community Development Specialist Matt Brown, City Attorney Stoney Hiljus

1. CALL TO ORDER

President Howe called the meeting to order at 7:56 p.m.

2. ROLL CALL

All present.

3. APPROVE MINUTES OF NOVEMBER 1, 2011

MOTION BY COMMISSIONER SCHULTE, SECONDED BY COMMISSIONER LARSON, TO APPROVE THE MINUTES OF NOVEMBER 1, 2011, AS PRESENTED. MOTION PASSED UNANIMOUSLY.

4. CONS. ECONOMIC DEVELOPMENT ASSISTANCE, ROUND LAKE SHOPPES, LLC, 33XX COON RAPIDS BOULEVARD
 - A. CONFLICT OF INTEREST DETERMINATION
 - B. CONS. RESOLUTION EDA 11-5 AUTHORIZING EXPENDITURE OF EXCESS TAX INCREMENTS FROM TAX INCREMENT DISTRICT 1-6
 - C. AUTHORIZE EXECUTION OF A CONTRACT FOR PRIVATE DEVELOPMENT

President Howe and Commissioner Klint recused themselves and left the dais at 9:10 p.m.

Staff stated the EDA is asked to consider an economic development assistance package for Round Lake Shoppes, LLC for rehabilitation of a commercial building at 33xx Coon Rapids Boulevard.

Gaughan Companies (Round Lake Shoppes, LLC) proposes rehabilitation of 13,266 square feet of office space at 3391-3397 Coon Rapids Boulevard within the Shoppes at Round Lake

shopping center to accommodate a new tenant, Premier Disability Services, LLC, a law firm specializing in Social Security disability matters. The shopping center currently has a very high vacancy rate. The rehab work includes carpet, paint, code compliance correction, electrical work, plumbing work, ceiling tiles, removal of interior walls, creation of pass throughs, remodeling of restrooms, installation of windows, and adding a kitchen and break room. Premier Disability proposes using the space as an office and call center and will create at least 25 new jobs with a wage of at least \$12 per hour. At least 125 jobs currently located at 9145 Springbrook Drive will be relocated to the Coon Rapids Boulevard location. Premier Disability will enter into a lease with Round Lake Shoppes requiring creation of the jobs by December 31, 2012. Premier Disability will also agree to provide health insurance to all full-time employees by December 31, 2012.

Staff believes that this project is a good candidate for economic development assistance because:

- The project involves rehabilitation of a largely vacant and obsolete commercial building along the Coon Rapids Boulevard corridor, which is an identified redevelopment area.
- It involves exterior building and site improvements that will update the appearance of the corridor and demonstrate investment.
- It will create both permanent jobs and temporary construction jobs. It will also retain jobs in the City.

The projected cost of the tenant improvements is \$178,000. In order to facilitate the project, staff proposes a grant in the amount of \$100,000, funded by existing cash balances in TIF districts. As a condition of the financial assistance, the property owner will agree to complete exterior improvements to the entire shopping center, including removal of the fuel pump canopy, a new monument sign, additional landscaping and parking lot screening along Coon Rapids Boulevard (such as shrubs, boulders or limestone blocks, sections of wrought iron fence, ornamental trees), landscaping in parking lot islands, EIFS along the sign band, and addition of contemporary paint colors. Staff proposes an additional grant in the amount of 50% of the project cost, up to \$49,900 to assist with the exterior improvements.

In an effort to provide cities with an economic development stimulus tool, the 2010 Legislature approved a temporary provision to TIF law allowing for the use of cash balances in TIF districts to be used for assistance to any project that creates jobs. The proposed grant to Round Lake Shoppes is an allowable expenditure under the Jobs Bill.

At its November 15 meeting, the City Council will consider Resolution 11-98 approving a spending plan and authorizing the EDA to make a grant to Round Lake Shoppes, LLC. Assuming the Council adopts the resolution, the EDA is asked to hold a public hearing and consider a Grant Agreement. No funds will be disbursed until the Agreement has been executed and Round Lake Shoppes submits documentation of costs it incurs. If the grantee does not complete the project or create the required number of jobs, the grant proceeds must be returned on a pro rata basis. The Agreement stipulates these terms.

President Howe and Commissioner (Secretary) Klint have disclosed an affiliation with Premier Disability, as required by Minnesota Statutes Section 469.098. Prior to making a decision on the economic development assistance, the EDA should review the attached Disclosure of Interest

forms and determine that the EDA's decision does not substantially affect the financial interests of the Commissioners and does not constitute a conflict of interest.

Funding for the assistance will come from TIF District 1-6. These funds have limited uses and there is no budget impact to the City's General Fund.

Vice President Schulte stated Gaughan Companies has no relationship with either Commissioner and their property is being improved, even though they would be successful anywhere. He stated based on these facts no conflict of interest exists because the proposal will create jobs and improves a current building.

Commissioner Sanders said there is a relationship to the end product but not with the building. He added there is no financial benefit from the project and the action refers to the leaseholders. Commissioner Larson said she felt there was no conflict of interest either as there was no financial gain to be had.

Commissioner Johnson agreed.

Commissioner Koch agreed as well based on the definition given by the City Attorney but noted this will be a significant improvement for the tenant though.

MOTION BY COMMISSIONER SCHULTE, SECONDED BY COMMISSIONER SANDERS, THAT NO CONFLICT OF INTEREST EXISTS. THE MOTION PASSED UNANIMOUSLY.

MOTION BY COMMISSIONER LARSON, SECONDED BY COMMISSIONER KOCH, TO ADOPT RESOLUTION EDA 11-5 AUTHORIZING EXPENDITURE OF EXCESS TAX INCREMENTS FROM TAX INCREMENT DISTRICT 1-6. THE MOTION PASSED UNANIMOUSLY.

MOTION BY COMMISSIONER SANDERS, SECONDED BY COMMISSIONER LARSON, TO AUTHORIZE EXECUTION OF A CONTRACT FOR PRIVATE DEVELOPMENT. THE MOTION PASSED UNANIMOUSLY.

5. OTHER BUSINESS

There was no other business to come before the EDA.

6. ADJOURN

MOTION BY COMMISSIONER SANDERS, SECONDED BY COMMISSIONER KOCH, TO ADJOURN THE NOVEMBER 15, 2011, MEETING OF THE EDA AT 9:20 P.M. THE MOTION PASSED UNANIMOUSLY.

Respectfully submitted,

Cathy Sorensen
City Clerk



Economic Development Authority Regular

1.

Meeting Date: 12/20/2011

Subject: Consider Contract with Genesis Business Centers for Business Incubator Implementation Phase

From: Marc Nevinski, Community
Development Director

INTRODUCTION

The EDA is asked to consider approval of a professional services contract with Genesis Business Centers to complete steps necessary for the implementation of a Coon Rapids Business Incubator program.

DISCUSSION

Earlier this year, City Council, through the EDA, expressed interest in developing a business incubator program in which early stage companies could establish themselves through access to affordable space, infrastructure, investors, technical assistance, advising, and academic resources.

In May, the EDA approved a contract with Genesis Business Centers to conduct a preliminary feasibility study to determine the potential for such a program in Coon Rapids. The report (attached) finds that the environment exists in Coon Rapids to support such a program, and offers the following as evidence:

- supply of buildings and clean rooms
- interest in the concept from potential funding sources and offers of in-kind technical support
- existence of high-tech and life science companies
- history and infrastructure for investment in emerging companies
- the presence of Anoka Ramsey Community College

Based on the conclusions of this study, staff prepared a draft program outline (attached) to further detail the objectives and parameters of the program. Staff also convened a meeting with Mayor Howe and Councilmember Schulte, as well as an area entrepreneur currently located in a St. Paul incubator, and a representative of a local investor group, to discuss the opportunities and challenges with an incubator program, and if the EDA should continue to pursue such a program. The conclusion of the group was that the EDA should. Additionally, Staff has submitted a letter to the Northeast Bank Foundation requesting funding assistance for 2012, contingent on EDA approval.

Staff recommends moving forward with the proposed implementation plan, which will lay the foundation for an incubator program. The work involved with this stage will include:

- recruiting and securing private funding for the program
- revitalizing existing investor groups and identifying new sources of venture capital
- securing appropriate leased space
- marketing and publicizing the program to media, target audiences, and investor networks
- developing a community advisory committee

It should be noted that, if approved, this phase will move the EDA from an investigation stage well towards the implementation of an incubator program, although there will be a variety of future decisions to be made about the

program (e.g. contracts for additional consulting services, possible lease or tenant improvements, and program evaluation, among others). However, in this phase, should program funding from private sector sources not materialize, or if adequate investment/seed capital cannot be identified, or if the real estate market is not receptive to the concept, the program will likely not move forward.

ALIGNMENT WITH STRATEGIC VISION

This item relates to the **Community Development and Redevelopment** section of the 2030 Strategic Vision by promoting business investment and job growth within Coon Rapids.

RECOMMENDATION

Staff recommends the EDA authorize the Executive Director to execute the professional services contract with Genesis Business Centers, Ltd. to begin the implementation phase of the Coon Rapids Business Incubator program.

Fiscal Impact

BUDGET IMPACT:

The cost of this implementation process is \$17,500. Funds are available from the City's development account.

Attachments

Contract

Proposal

Program Outline (Draft)

Preliminart Feasibility Study

Agreement for Professional Services

This Agreement is made on the 20th day of December, 2011, between the Economic Development Authority in and for the City of Coon Rapids, Minnesota (hereinafter "City"), whose business address is 11155 Robinson Drive, Coon Rapids, MN 55433, and Genesis Business Centers, Ltd., a Minnesota Corporation (hereinafter "Consultant") whose business address is 901 ½ First Street North, PO Box 5644, Hopkins, MN 55343.

Preliminary Statement

The City has adopted policies regarding the selection and hiring of consultants to provide a variety of professional services for City projects. The policies and practices of the City require that persons, firms or corporations providing such services enter into written agreements with the City. The purpose of this Agreement is to set forth the terms and conditions for the provision of professional services by Consultant to complete a preliminary feasibility study for the establishment of a business incubator program_ hereinafter referred to as the "Work".

The City and Consultant agree as follows:

1. **Scope of Work/Proposal.** The Consultant agrees to provide the professional services shown in Exhibit "A" in connection with the Work. The terms of this standard agreement shall take precedence over any provisions of the Consultants proposal and/or general conditions that conflict with this agreement.

The Consultant agrees to provide the professional services identified in Phase II of the proposal dated December 9, 2011 and as approved the by the City on December 20, 2011, as shown in Exhibit "A".

2. **Term.** The term of this Agreement shall be from January 1, 2012 through December 31, 2011, the date of signature by the parties notwithstanding. This Agreement may be extended upon the written mutual consent of the parties for such additional period as they deem appropriate, and upon the terms and conditions as herein stated.
3. **Compensation for Services.** City agrees to pay the Consultant a total amount not to exceed \$17,500 for the services as described in Exhibit A.
 - A. Any changes in the scope of the work which may result in an increase to the compensation due the Consultant shall require prior written approval by an authorized representative of the City or by the EDA Board. The City will not pay additional compensation for services that do not have prior written authorization.
 - B. Special Consultants may be utilized by the Consultant when required by the complex or specialized nature of the Project and when authorized in writing by the City.
 - C. If Consultant is delayed in performance due to any cause beyond its reasonable control, including but not limited to strikes, riots, fires, natural acts, governmental actions, actions of a third party, or actions or inactions of City, the time for performance shall be extended by a period of time lost by reason of the delay. Consultant will be entitled to payment for its reasonable additional charges, if any, due to the delay.

4. ***City Information.*** The City agrees to provide the Consultant with the complete information concerning the Scope of the Work and to perform the following services:
- A. Access to the Area. Depending on the nature of the Work, Consultant may from time to time require access to public and private lands or property. As may be necessary, the City shall obtain access to and make all provisions for the Consultant to enter upon public and private lands or property as required for the Consultant to perform such services necessary to complete the Work.
 - B. Consideration of the Consultant's Work. The City shall give thorough consideration to all reports, sketches, estimates, drawings, and other documents presented by the Consultant, and shall inform the Consultant of all decisions required of City within a reasonable time so as not to delay the work of the Consultant.
 - C. Standards. The City shall furnish the Consultant with a copy of any standard or criteria, including but not limited to, design and construction standards that may be required in the preparation of the Work for the Project.
 - D. Owner's Representative. A person shall be appointed to act as the City's representative with respect to the work to be performed under this Agreement. He or she shall have complete authority to transmit instructions, receive information, interpret, and define the City's policy and decisions with respect to the services provided or materials, equipment, elements and systems pertinent to the work covered by this Agreement.
5. ***Method of Payment.*** The Consultant shall submit to the City, on a monthly basis, an itemized invoice for professional services performed under this Agreement. Invoices submitted shall be paid in the same manner as other claims made to the City for:
- A. Payment. Consultant will invoice the City in the amount of \$10,000 at the commencement of the Work. Upon completion and delivery of the Work, to the City's satisfaction, the Consultant will submit an invoice for the remaining amount of \$7500 as final payment for the Work.
 - B. Suspended Work. If any work performed by the Consultant is suspended in whole or in part by the City, the Consultant shall be paid for any services performed prior to receipt of written notice from the City of such suspension, all as shown on Exhibit A.
 - C. Payments for Special Consultants. The Consultant shall be reimbursed for the work of special consultants, as described in Section 3B, and for other items when authorized in writing by the City.
 - D. Claims. To receive any payment on this Agreement, the invoice or bill must include the following signed and dated statement: "I declare under penalty of perjury that this account, claim, or demand is just and correct and that no part of it has been paid."
6. ***Project Manager and Staffing.*** The Consultant has designated Harlan Jacobs to serve on the Project. He shall be assisted by other staff members as necessary to facilitate the completion of the Work in accordance with the terms established herein. Consultant may not remove or replace these designated staff from the Project without the approval of the City.

7. **Standard of Care.** All Work performed pursuant to this Agreement shall be in accordance with the standard of care in Anoka County, Minnesota for professional services of the like kind.
8. **Audit Disclosure.** Any reports, information, data, etc. given to, or prepared or assembled by the Consultant under this Agreement which the City requests to be kept confidential, shall not be made available to any individual or organization without the City's prior written approval. The books, records, documents and accounting procedures and practices of the Consultant or other parties relevant to this Agreement are subject to examination by the City and either the Legislative Auditor or the State Auditor for a period of six (6) years after the effective date of this Contract. The Consultant shall at all times abide by Minn. Stat. 13.01 et seq., the Minnesota Government Data Practices Act, to the extent the Act is applicable to data and documents in the possession of the Consultant. The Consultant shall immediately inform the City if the Consultant receives a request for information under the Data Practices Act. The City will cooperate with the Consultant in responding to the request for information.
9. **Termination.** This Agreement may be terminated by either party by seven (7) days written notice delivered to the other party at the address written above. Upon termination under this provision, if there is no fault of the Consultant, the Consultant shall be paid for services rendered and reimbursable expenses until the effective date of termination. If however, the City terminates the Agreement because the Consultant has failed to perform in accordance with this Agreement, no further payment shall be made to the Consultant, and the City may retain another consultant to undertake or complete the work identified in Paragraph 1.
10. **Subcontractor.** The Consultant shall not enter into subcontracts for services provided under this Agreement except as noted in the Scope of Work, without the express written consent of the City. The Consultant shall pay any subcontractor involved in the performance of this Agreement within the ten (10) days of the Consultant's receipt of payment by the City for undisputed services provided by the subcontractor. If the Consultant fails within that time to pay the subcontractor any undisputed amount for which the Consultant has received payment by the City, the Consultant shall pay interest to the subcontractor on the unpaid amount at the rate of 1.5 percent per month or any part of a month. The minimum monthly interest penalty payment for an unpaid balance of \$100 or more is \$10. For an unpaid balance of less than \$100, the Consultant shall pay the actual interest penalty due to the subcontractor. A subcontractor who prevails in a civil action to collect interest penalties from the Consultant shall be awarded its costs and disbursements, including attorney's fees, incurred in bringing the action.
11. **Independent Consultant.** At all times and for all purposes herein, the Consultant is an independent contractor and not an employee of the City. No statement herein shall be construed so as to find the Consultant an employee of the City.
12. **Non-Discrimination.** During the performance of this Agreement, the Consultant shall not discriminate against any employee or applicants for employment because of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, sexual orientation or age. The Consultant shall post in places available to employees and applicants for employment, notices setting forth the provision of this non-discrimination clause and stating that all qualified applicants will receive consideration for employment. The Consultant shall incorporate the foregoing requirements of this paragraph in all of its subcontracts for program work, and will require all of its subcontractors for such work to incorporate such requirements in all subcontracts for program work. The Consultant further agrees to comply with all aspects of the Minnesota Human Rights Act, Minnesota Statutes 363.01, et. seq., Title VI of the Civil Rights Act of 1964, and the Americans with Disabilities Act of 1990.

13. **Assignment.** Neither party shall assign this Agreement, nor any interest arising herein, without the written consent of the other party.
14. **Services Not Provided For.** No claim for services furnished by the Consultant not specifically provided for herein shall be honored by the City.
15. **Severability.** The provisions of this Agreement are severable. If any portion hereof is, for any reason, held by a court of competent jurisdiction to be contrary to law, such decision shall not affect the remaining provisions of this Agreement.
16. **Entire Agreement.** The entire agreement of the parties is contained herein. This Agreement supersedes all oral agreements and negotiations between the parties relating to the subject matter hereof as well as any previous agreements presently in effect between the parties relating to the subject matter hereof. Any alterations, amendments, deletions, or waivers of the provisions of this Agreement shall be valid only when expressed in writing and duly signed by the parties, unless otherwise provided herein.
17. **Compliance with Laws and Regulations.** In providing services hereunder, the Consultant shall abide by statutes, ordinances, rules and regulations pertaining to the provisions of services to be provided. The Consultant and City, together with their respective agents and employees, agree to abide by the provisions of the Minnesota Data Practices Act, Minnesota Statutes Section 13, as amended, and Minnesota Rules promulgated pursuant to Chapter 13. Any violation of statutes, ordinances, rules and regulations pertaining to the services to be provided shall constitute a material breach of this Agreement and entitle the City to immediately terminate this Agreement.
18. **Waiver.** Any waiver by either party of a breach of any provisions of this Agreement shall not affect, in any respect, the validity of the remainder of this Agreement.
19. **Indemnification.** Consultant agrees to defend, indemnify and hold the City, its officers, and employees harmless from any liability, claims, damages, costs, judgments, or expenses, including reasonable attorney's fees, resulting directly or indirectly from a negligent act or omission (including without limitation professional errors or omissions) of the Consultant, its agents, employees, or subcontractors in the performance of the services provided by this Agreement and against all losses by reason of the failure of said Consultant fully to perform, in any respect, all obligations under this Agreement.
20. **Insurance.**
 - A. **General Liability.** Prior to starting the Work, Consultant shall procure, maintain and pay for such insurance as typically required in Consultant's line of work, as will protect against claims for bodily injury or death, or for damage to property, including loss of use, which may arise out of operations by Consultant or by any subcontractor or by anyone employed by any of them or by anyone for whose acts any of them may be liable. The policy(ies) shall name the City as an additional insured for the services provided under this Agreement and shall provide that the Consultant's coverage shall be primary and noncontributory in the event of a loss. The insurance shall include at a minimum worker's compensation, employer's liability, comprehensive liability, automobile insurance and umbrella or excess liability unless otherwise agreed to by the City and the Consultant.
 - B. **Effect of Consultant's Failure to Provide Insurance.** If Consultant fails to provide the specified insurance, then Consultant will defend, indemnify and hold harmless the City, the City's officials, agents and employees from any loss, claim, liability and expense (including reasonable

attorney's fees and expenses of litigation) to the extent necessary to afford the same protection as would have been provided by the specified insurance. Except to the extent prohibited by law, this indemnity applies regardless of any strict liability or negligence attributable to the City (including sole negligence) and regardless of the extent to which the underlying occurrence (i.e., the event giving rise to a claim which would have been covered by the specified insurance) is attributable to the negligent or otherwise wrongful act or omission (including breach of contract) of Consultant, its subcontractors, agents, employees or delegates. Consultant agrees that this indemnity shall be construed and applied in favor of indemnification. Consultant also agrees that if applicable law limits or precludes any aspect of this indemnity, then the indemnity will be considered limited only to the extent necessary to comply with that applicable law. The stated indemnity continues until all applicable statutes of limitation have run.

If a claim arises within the scope of the stated indemnity, the City may require Consultant to:

- a. Furnish and pay for a surety bond, satisfactory to the City, guaranteeing performance of the indemnity obligation; or
- b. Furnish a written acceptance of tender of defense and indemnity from Consultant's insurance company.

Consultant will take the action required by the City within fifteen (15) days of receiving notice from the City.

21. ***Ownership of Documents.*** All plans, diagrams, analyses, reports and information generated in connection with the performance of the Agreement ("Information") shall become the property of the City, but Consultant may retain copies of such documents as records of the services provided. The City may use the Information for its purposes and the Consultant also may use the Information for its purposes. Use of the Information for the purposes of the project contemplated by this Agreement ("Project") does not relieve any liability on the part of the Consultant, but any use of the Information by the City or the Consultant beyond the scope of the Project is without liability to the other, and the party using the Information agrees to defend and indemnify the other from any claims or liability resulting therefrom.
22. ***Dispute Resolution/Mediation.*** Each dispute, claim or controversy arising from or related to this Service Agreement or the relationships which result from this Agreement shall be subject to mediation as a condition precedent to initiating arbitration or legal or equitable actions by either party. Unless the parties agree otherwise, the mediation shall be in accordance with the Commercial Mediation Procedures of the American Arbitration Association then currently in effect. A request for mediation shall be filed in writing with the American Arbitration Association and the other party. No arbitration or legal or equitable action may be instituted for a period of 90 days from the filing of the request for mediation unless a longer period of time is provided by agreement of the parties. Cost of mediation shall be shared equally between the parties. Mediation shall be held in the City of Coon Rapids unless another location is mutually agreed upon by the parties. The parties shall memorialize any agreement resulting from the mediation in a Mediated Settlement Agreement, which Agreement shall be enforceable as a settlement in any court having jurisdiction thereof.
23. ***Governing Law.*** This Agreement shall be controlled by the laws of the State of Minnesota.

24. **Conflicts.** No salaried officer or employee of the City and no member of the Board of the City shall have a financial interest, direct or indirect, in this Contract. The violation of this provision renders the Contract void. Any federal regulations and applicable state statutes shall not be violated.
25. **Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be considered an original.

Executed as of the day and year first written above.

ECONOMIC DEVELOPMENT AUTHORITY IN AND
FOR THE CITY OF COON RAPIDS

Matthew Fulton, Executive Director

APPROVED AS TO FORM

Stoney Hiljus, City Attorney

GENESIS BUSINESS CENTERS, LTD

By: _____

Harlan Jacobs

Its: _____

By signing above, the official of the Contractor certifies that he/she is duly authorized to bind the Contractor to the terms of this agreement.

Exhibit “A”

Genesis Business Centers, Ltd.
901 ½ First Street North
P.O. Box 5644
Hopkins Minnesota 55343
Telephone 612 455 2215
Facsimile 612 455 2216
www.GenesisCenters.com

12 December 2011

Mr. Marc Nevinski,
Community Development Director
City of Coon Rapids
11144 Robinson Drive
Coon Rapids MN 55433

Phase II Proposal: Preparation and Implementation of Action Plan for the Development Program for the Proposed Coon Rapids Incubator Program

Dear Marc:

Genesis was pleased to have received the Phase I contract to prepare a Preliminary Feasibility Study for a Proposed Incubator Program for the City of Coon Rapids, Minnesota. Further, Genesis is pleased to note that the Preliminary Feasibility Study was favorable in its conclusions and received an encouraging response from several of the elected officials as well as the professional staff of the City of Coon Rapids. Based upon the recent meeting with the Mayor and Staff, Genesis is pleased to provide this proposal for review and consideration.

PROPOSAL FOR PHASE II

Genesis proposes to build on the resources and pathways identified in the Phase I report. The goal of Phase II is to identify and obtain the resources necessary to establish and successfully launch the proposed Coon Rapids Incubator Program.

Program Funding - Genesis will identify and recruit additional prospective sources for funding including but not limited to grants that would be utilized to help pay for the operational costs of the proposed incubator program during the initial two year start up phase. Operational costs will include consultants' fees and rent for the office/warehouse/laboratory space to be provided in the Incubator Program.

Seed Capital - Genesis will identify and recruit both new and existing sources of seed capital investment funds for the companies that will be entering the incubator program.

- Working to revitalize the *Anoka Sherburne County Capital Fund*
- Working to reactivate the *Anoka Investors LLC Investment Club*
- Working to establish linkages with the various Angel Investor Groups in the twin cities including the Minnesota Angel Capital Network (BBAM Affiliate) and several other programs currently being established.

If the *CrowdFunding* legislation is approved by Congress, Genesis Business Centers will then work to establish a local program to facilitate entrepreneurial access to capital that could be known as the *Coon Rapids Capital Connection*. *CrowdFunding* is the popular phrase for a

streamlined and *user friendly* program that would eliminate the onerous and costly provisions of the Sarbanes Oxley Act as well as certain Securities and Exchange Commission rules/regulations that hamper small business access to the capital markets.

Real Estate - Genesis will continue to work with the previously identified building owners as well as to continue to identify and recruit additional suitable buildings owners that have a *double bottom line* and would be willing to consider offering special rates for rental in their building(s) for the tenants in the incubator program as a means of both filling their buildings and helping the overall economy in the City of Coon Rapids.

Marketing - Genesis will work to generate suitable publicity coverage for the Incubator Program working with both traditional and electronic media outlets locally, nationally, and internationally. Genesis will develop collaboration programs with LifeScience Alley, BioBusiness Alliance of Minnesota, DEED, Defense Alliance of Minnesota, REAP, Greater MSP, and the following bi-national Chambers of Commerce in order to offer Coon Rapids as a 'soft landing' site for foreign companies:

- American Israel Chamber of Commerce of Minnesota
- Canadian Consulate in Minneapolis
- Finnish American Chamber of Commerce of Minnesota
- French American Chamber of Commerce of Minnesota
- German American Chamber of Commerce of Minnesota
- Norwegian American Chamber of Commerce of Minnesota
- Swedish American Chamber of Commerce of Minnesota
- TiE (India and Minnesota)

Genesis will continue its efforts to promote a dialogue between the City of Trollhattan, Sweden and the City of Coon Rapids towards a possible Sister City Agreement.

Recruitment of Community Volunteers - Genesis will identify and recruit prospective business and professional domain experts from the community who would be willing to serve on an Advisory Committee that would function in a Liaison capacity between the City of Coon Rapids and the Incubator Program Manager.

COST

Genesis proposes to work on the above stated list of deliverables under a Professional Services Contract in the amount of \$ 17,500. The Contract would provide for a \$10,000 initial retainer that would be followed by a payment of \$7,500 upon the completion of the above identified deliverables as documented by a Phase II Report with delivery anticipated within 180 days of the signing of the Contract associated with this proposal.

Marc, we look forward to the possibility of working with you and the other members of the professional staff and the Mayor to make Coon Rapids the Epicenter of Entrepreneurial Activity in the realm of the emerging lifesciences and high tech entrepreneurship with Coon Rapids becoming the obvious and compelling location in the twin cities where start-up companies are both welcome and encouraged to begin their operations.

Best regards

Harlan T. Jacobs
President

Coon Rapids Business Incubator

Program Outline

December 6, 2011

-DRAFT-

I. Issue

Coon Rapids is a fully developed community. It's many assets include two regional parks, a top rated public golf course, the Mississippi River, Northstar Commuter Rail, a community scale shopping center with national retailers, a nationally ranked hospital, a successful and innovative community college, and solid commercial and industrial base which employs over 18,000 people, and includes such notable companies as Medtronic, RMS, Biovest, and MEDRAD/Possis.

Despite these assets, Coon Rapids faces considerable challenges:

- The majority of its residents commute to other communities to work.
- The average wage in Coon Rapids is twenty five percent below the metro average;
- The Coon Rapids Boulevard Corridor is experiencing major disinvestment;
- Housing values have dropped significantly in recent years and residents are leaving the community for newer housing developments in Blaine and Andover;
- The population is aging, averaging 49 years in 2009. Less than one fourth of the households in the City have school aged children.
- The suburban development pattern of Coon Rapids tends not to attract residents and employees in the millennial generation, or those with knowledge or skill sets sometimes referred to as the "creative class".

II. Vision / Goal

To address these critical issues, and to keep Coon Rapids vibrant and competitive, the City needs to attract additional investment and new residents. The establishment of a successful business incubator program will contribute to this objective by:

- Generating new private investment and reinvestment in Coon Rapids
- Providing a platform for new, innovative startup companies to grow
- Attracting young, educated workers and residents, supporting the local economy and investing in local housing options
- Helping fill vacant and underutilized commercial and industrial space
- Enhancing the Coon Rapids' reputation as a pro-business, innovative, and vibrant community

III. Status of the Program

The Coon Rapids Economic Development Authority (EDA) retained the services of Genesis Business Centers, Ltd, and its principal, Harlan Jacobs, to complete a preliminary feasibility study to determine the potential viability of a business incubator within the City. Mr. Jacobs has submitted his report and concluded that the necessary ingredients, which include, among others, available space, community history and support, market opportunities, and potential investors, exist to support such a program. A number of individuals and organizations have provided letters expressing support for such a program.

At this point, the EDA is preparing to consider next steps in moving forward with an incubator program, although as of November 2011, no formal decision or commitment has been made by the EDA.

IV. Incubator Model

Incubators can take a number of different forms. The following narrative describes the anticipated structure of the proposed incubator, although the final structure may vary based on input and direction of stakeholders.

a. Target Companies

Coon Rapids is home to several life-science and medical device companies. Therefore, the incubator program is proposed to focus on growing companies in these areas, as well as other high tech, innovative areas. However, businesses whose products may be more traditional in nature could also be program candidates. In any case, incubator companies will need to demonstrate a solid business plan and market potential.

b. Basic Structure

A successful program will not be based on a bricks-and-mortar model or incorporate the construction of an expensive, new facility. Rather it will focus on building a network to foster business innovation, growth and investment. This network will include early stage companies, investors, landlords, and advisors. Additionally, educational institutions, such as Anoka Ramsey Community College, which has considerable experience in assisting businesses, and industry advocates such as LifeScience Alley and the BioBiz Alliance. Together, and as applicable, this network will work help to locate early stage companies in Coon Rapids and provide resources to help them grow, add employees, and become successful members of the community.

c. Identification of Companies

The primary method to identify potential incubator companies would be, at least in the early years of the program, for the EDA to retain the services of a business consultant, such as Mr. Jacobs, who is experienced in the area of early stage companies, venture capital investing, and identifying potentially successful business concepts. Additionally, networking with the appropriate investment

firms, banks, and trade associations, as well as promoting the incubator through various business networks and media outlets will generate awareness and interest.

d. Real Estate and Leased Space

To date, two locations have been identified as potential incubator space. Two options exist to secure usable leased space and establish public-private partnerships. One option is for the EDA to lease space at a favorable lease rate, and then sub-lease square footage to incubator companies for a period of one to two years. Alternatively, landlords may be willing to make necessary improvements and lease space directly to incubator companies.

The first potential space is the Minnesota Medical Enterprise Center in the Evergreen Industrial Park. Approximately 24,000 sf of space is currently available and includes three clean rooms. This space would be used primarily for companies that require an industrial and/or cleanroom setting. A second location along Coon Rapids Boulevard near the Anoka Ramsey Community College has also been identified and could be utilized by companies who require merely an office setting.

Finally, it should be noted that other buildings may be more appropriate for a specific company, depending on its stage of growth, production process or other requirements. In such cases, the incubator network may need to find a suitable location for the company within the community.

e. Funding for Incubator Companies

Incubator companies will benefit from low cost space. They may receive equity investments, seed capital, or angel investments through individuals or funds such as the Anoka County Community Capital Fund or other private investment entities. Additionally, a number of state and federal programs exist to promote and support private equity investment. Although allowed by statute to do so, it is proposed that the EDA not make equity investments in any incubator company.

f. Program Administration

The program, utilizing existing staff and resources, will be administered by the EDA and will include: the management of leased space; the negotiation, preparation and approval of sub-leases; the coordination of communications and interaction among the incubator network; and the general promotion of the program. Additionally, as mentioned above, a consultant should be retained to identify prospective companies as well as investors, and to promote the Coon Rapids incubator program within the various networks and media outlets. Finally, an advisory panel should be established to help guide incubator operations. Such a panel, if established, should include financial contributors, business persons, and other key stakeholders.

g. Program Funding

It is anticipated that most of the program funding would come from private dollars, which would pay for expenses such as rent, one time building improvements, and consultant fees. Sources of

private funding would come from grants by foundations, banks, utilities, and other entities. The EDA could also help to fund or up front one time improvements, as well as provide staff to administer the program. Rents from tenants could also fund program operations, depending on the real estate arrangement.

H. Budget

A conceptual program budget is proposed below and is subject to the final decision by the EDA in implementing the proposed program, the level of participation by potential stakeholders (funders, landlords, etc...) and market conditions. The conceptual budget assumes that the EDA leases space and then sub-lease portions of it to incubator tenants.

Conceptual Incubator Budget			
	2011	2012	2013
SOURCES			
EDA	\$7500 ¹	\$ 35,000	\$ 0
Grants	0	\$ 100,000	\$ 70,000
Sub-Lease ²	0	\$ 20,000	\$ 40,000
Total Sources	\$7500	\$ 155,000	\$ 110,000
USES			
Lease/Rent ³		\$ 27,000 ⁴	\$ 37,000
Build Out		\$ 60,000	\$ 0
Utilities		\$ 15,000	\$ 20,000
Consult. Fee ⁵	\$7500	\$ 50,000	\$ 50,000
Misc Expenses		\$ 3,000	\$ 3,000
	\$7500	\$155,000	\$110,000

1. Preliminary Feasibility Study
2. Sub-lease assumes rate of \$1.25/sf; 50% sub-lease up in 2012 and 90% in 2013
3. Rent at \$1/sf/year for 37,000 sf of space.
4. Rent beginning 2nd Qtr of 2012 (9 months)
5. Fee is estimate and not yet negotiated

V. Timing and Performance

Presently, the Coon Rapids EDA is expected to make a decision about moving forward with an incubator program by the end of 2011 or early 2012. If the decision is made to move forward, the program will be evaluated by the EDA over a two year period to determine its performance and if it should be continued. Factors would likely include, among others, the self- sustainability of the program, the number of participants, and the number of successful outcomes.

Incubator Program for the City of Coon Rapids, Minnesota

Preliminary Feasibility Study

Prepared 26 October 2011

Overview: There is ample support and there are sufficient resources in the greater Coon Rapids/Anoka County Area for the successful establishment of an incubator program that could become operational by the Spring of Calendar Year 2012. To achieve a successful launch of an Incubator Program (Incubator) certainly there will be much hard work that will need to be done. The basic resources in the community that have been identified and serve as the basis for this summary and its conclusion are listed in the following key points below:

- **Northeast Bank's Foundation** will be reviewing requests from community groups for special projects during the fourth quarter of 2011. **Mr. Larry Crane** encouraged the submission of a proposal for financial assistance that could be used for both the rent and the direct operating costs for an Incubator in Coon Rapids. It will be necessary to get this submission made in early November 2011 in order to have it receive consideration that could lead to its approval for funding at the December 2011 board meeting of that foundation.

- There is an **Ample Supply of Suitable Buildings** that can be rented on a short term basis (one to two years) at reasonable costs that would be located on Coon Rapids Blvd and thereby provide a needed boost to that portion of the community in a manner that is consistent with the **Coon Rapids Boulevard Framework Plan** prepared by the City of Coon Rapids in December 2010. A good example of a well suited building would be the former **Sherwin Williams** paint store next to the **Family Center** (near the intersection of Crooked Lake Blvd. and Coon Rapids Blvd). It would be a suitable location because of its *curb appeal* (decorative sunburst logo on the front side of the building) and ample free parking near a major intersection that is reasonably close to the Anoka Ramsey Community College. Alternately, the Family Center building itself has plenty of workable space. Each of these properties have either total or major vacancies respectively. Accordingly, if a lease agreement could be agreed upon in the winter months of 2012, then it's likely that attractive terms and conditions could be negotiated as building owners/managers face a brutal heating season without tenants and would be seeking incremental cash flows from a qualified party.

- The availability of the clean rooms and other facilities at the **MNMEC** facility in Coon Rapids on Springbrook Drive near Coon Rapids Blvd. is an exceptional resource for the City of Coon Rapids and should provide attractive laboratory and office space for the more well heeled incubator prospects with the ability to pay a premium for rent. It may also provide a 'destination' location for the incubator graduates that begin their operations in another facility such as the Sherwin Williams or Family Center location (if one of those is selected). The type of space available in this facility will be highly valued also by early stage companies that can and should also be recruited to the City of Coon Rapids as an important adjunct or corollary program for the overall incubator initiative.

- The recent publicity that **Biovest International** has received in the *StarTribune* article (see the front page of the Business/Insider Section D Monday 24 October 2011) is excellent in terms of both its timing and its ability to catalyze opinions in the greater twin cities area among the leadership cadre in the medical device and biotech/lifesciences communities.

The topic of cancer vaccines that are personalized is a very intriguing subject matter for the general public. And as a publicly traded company **Biovest** will bring visibility to the City of Coon Rapids (much like in the seventies and eighties many tag lines in Wall Street Journal articles noted that SuperValue and Gelco for example were located in 'Eden Prairie, Minnesota').

This visibility nationally as well as the local publicity that will follow will help to galvanize a positive image linking the City of Coon Rapids with 'state of the art' medical devices and biotech within the continuum of the lifesciences. This should be valuable and helpful in the efforts to recruit the early stage and start up lifescience companies to the Incubator.

- Strong Advocacy and Legal Support** is available from the law firm of **Barna Guzy & Steffen**. Mr. **Jeffrey Johnson, President** of the law firm, has written a letter to **Mayor Howe** expressing the firm's support for an Incubator and has offered to provide a reasonable amount of legal assistance in getting the Incubator established and operational. Part of that assistance will be available to help revive the **Anoka Sherburne County Capital Fund (ASCCF)** to provide the necessary seed capital for the companies in the incubator program. Mr. Johnson is the President of that ASCCF. In reviewing the portfolio of the ASCCF with Mr. Johnson, it was noted that several of the investee companies in the portfolio may yet have liquidity events (public offerings or IPOs or may be having merger/acquisition transactions) in the next year or two. This will provide new sources of cash to make it possible to invest in new companies in the Anoka County area including those that would establish operations in Coon Rapids in the Incubator.

•A **Seed Capital Fund** will be needed to make any Incubator successful. Several new banking organizations including **Associated Bank** are now considering becoming active in the Coon Rapids area and would in principle be able to make an investment in the **Anoka Sherburne County Capital Fund (ASCCF)** when it is revived (see above). The existing banks may elect to make additional investments as a means of maintaining their visibility and involvement in that program especially if new banks enter the picture. Some of the 'new' banks are 'new' in respect to the fact that they did not enter the ASCCF in the 1993-2000 timeframe; they have been in the community for most of the years from 2000 forward and would now wish to join the existing banks.

•The banks in the community continue to have **Community Reinvestment Act (CRA)** goals and requirements that may make it possible for them to support this initiative with cash grants or to make an investment in the community based seed fund.

The **Anoka Investment Club, LLC** (Investment Club) should also become once again (after about five years of dormancy) an important source of seed capital for the companies in the Incubator. The portfolio of the Investment Club includes all of the portfolio companies in the ASCCF that are likely to be successful and a few additional ones that were not included in the ASCCF portfolio because of geographic limitations on the ASCCF in respect of the investments that it was chartered to make. The pending liquidity events in the portfolio of the Investment Club are likely to be 'recycled' into new investments by the majority of the members of the Investment Club.

•**Connexus** is interested in continuing its support for the Anoka County Model with a new area of concentration (Coon Rapids being more central to the county than was Columbia Heights in the previous iteration of the Anoka County Model) which of course is more closely associated with the provision of electricity to portions of the City of Coon Rapids.

•**Skyweb Express** (Taxi 2000 Corporation) is interested in expanding its operations to include more trackage as well as a complex set of loops that would include both an indoor and outdoor set of tracks. **Skyweb Express** has expressed keen interest in the **Sherwin Williams** paint store area because of the ample acreage behind (north) of the building. By establishing its new headquarters and test track demonstration system nearby the Incubator **Skyweb Express** can bring a great deal of visibility to itself (and in turn the Incubator). And the **Anoka Ramsey Community College** has expressed preliminary interest in helping to develop a new curriculum for advanced and sustainable transportation systems that would work well with the **Skyweb Express** expansion plans and in turn its need for well trained employees in the realm of

systems design/software/civil engineering planning and related disciplines. It's also possible that **Skyweb Express** would establish a manufacturing facility on the same general premises.

Skyweb Express is in discussions with the City of Trollhattan, Sweden, to establish the world's first full scale **Personal Rapid Transit (PRT)** system there. The **City of Trollhattan** is the home of Saab Automotive and is currently refocusing its efforts on reviving its local economy there. It is seeking Sister City Relationships with progressive communities in the U.S. and there is much that the Cities of **Coon Rapids** and **Trollhattan** have in common including the following:

Each city has a history of hydroelectrical generation from a major river that is associated with the city. Trollhattan presently has an operational facility to produce electricity from the river that passes through the center of the city there. This electricity (from a sustainable source) would be available to provide the energy for the electric motors that would propel the PRT vehicles along the guideways of the proposed PRT system in Trollhattan. It would then become a green or sustainable transportation system-the first of its kind in the world for this second reason as well.

Skyweb Express has expressed its interest in participation in any community based efforts to consider the City of Trollhattan as a prospective sister city for the City of Coon Rapids. Mr. Mike Lester, the CEO of Skyweb Express, would be available to help lead the effort or to participate in the committee work. Mr. Harlan Jacobs (Genesis Business Centers, Ltd.) is the Vice Chairman of the **Swedish American Chamber of Commerce – Minnesota (SACC-MN)** and has been actively assisting Mr. Lester in his efforts in Sweden. He is confident that SACC-MN would be very pleased to help in the process of promoting the sister city program with Trollhattan.

•The **Anoka Ramsey Community College** is in need of internship opportunities for its students and would be able to help its students by being able to place student interns in the incubator companies that would be within easy walking distance of the campus.

•Major Initiative from Federal Government and Private Foundations: This writer has been privileged to serve on a community task force of about 25 persons that has met with a highly respected national consulting firm in a project financed by two major private family foundations and the Federal government to revitalize the greater twin cities economy by helping technology based businesses to grow and hire more employees. This initiative is likely to be publicly announced by the end of December 2011. In this initiative as presently contemplated between \$250 and \$500 thousand of cash payments would be granted to emerging technology based companies to grow their businesses. The timing is ideal for the City of Coon Rapids to announce the establishment of an Incubator. There would likely be a large amount of newspaper and electronic media coverage of the Initiative and in turn the Coon Rapids Incubator is likely to receive attention because of its hand in glove fit with this Initiative.

Conclusion: The necessary factors and resources already presently exist in the City of Coon Rapids for the establishment of an Incubator Program that can become a successful new 'tool in the toolbox' to help get the local economy 'going and growing' in the City of Coon Rapids.

Recommendation: The City of Coon Rapids is encouraged to give thoughtful consideration to Phase II of the Genesis Proposal to implement the findings of this Phase I report and to proceed towards the establishment of an Incubator Program for the City of Coon Rapids.